

# **PUBLIC DISCLOSURE**

**October 15, 2007**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Utah Community Bank  
Certificate Number 35323**

**820 East 9400 South  
Sandy, Utah 84094**

**Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square  
San Francisco, California 94105**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Utah Community Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **October 15, 2007**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

***INSTITUTION'S CRA RATING:*** This institution is rated: **SATISFACTORY**

Utah Community Bank demonstrates a satisfactory response to the credit needs of its assessment area. The following factors are in support of the above rating:

- The bank is willing to lend to business entities of different income levels; over 96 percent of the loans reviewed were to businesses having annual revenues less than \$1 million, including over 40 percent to businesses with revenues less than \$100 thousand per year.
- Lending inside the assessment area is considered adequate; 332 loans (2006) and 181 loans (year-to-date 2007) by number, and \$87.7 million (2006) and \$48.6 million (year-to-date 2007) by dollar volume. This equates to 76 percent by number and 72 percent by dollar volume.
- The bank's average loan-to-deposit (LTD) ratio is adequate; 78.31 percent since the previous CRA evaluation.
- No CRA complaints were identified.
- The bank's geographical lending patterns are adequate given the primary loan type (land development and construction) and the available land within the assessment area available for development.

## SCOPE OF EVALUATION

Utah Community Bank was evaluated using the small bank evaluation guidelines. Pursuant to the CRA, a small bank is defined as a bank that had total assets less than \$258 million as of December 31 of the prior two calendar years.

This evaluation reflects the bank's CRA accomplishments since the last CRA evaluation of September 2, 2002, through the current examination date of October 15, 2007. The evaluation was conducted at the institution's only office located in Sandy, Utah, and relied on the records and reports provided by the bank and those publicly available. The loan and financial information, demographic data, and information gathered as part of the examination process were also utilized, including community contacts. The loan sample consisted of construction and land development loans originated in 2006 and year-to-date 2007.

## DESCRIPTION OF INSTITUTION

Utah Community Bank is a small, single-office commercial bank located in the south end of the Salt Lake Valley in Sandy, Utah. The bank had total assets of \$74,904 as of September 30, 2007. The bank's focus has been business lending, specifically land development and construction lending. Much of the consumer lending is performed as an accommodation to commercial/business customers. The bank is in its eighth year of successful operation. Table 1 reflects the composition of the institution's loan portfolio as of June 30, 2007.

<b>Table 1- Utah Community Bank /Loan Portfolio</b>		
<b>Type of Loan</b>	<b>Amount</b>	<b>Percentage</b>
Construction and Land Development, and other land loans	52,063	85%
Revolving 1-4 family	674	1%
Closed-end 1-4 family – secured by first liens	398	2%
Closed-end 1-4 family – secured by junior liens	204	
Secured by multi-family	476	
Secured by non farm residential properties	5,296	8%
Commercial/Industrial loans	1,317	2%
All other loans	1,134	2%
<b>GROSS LOANS</b>	<b>61,562</b>	<b>100%</b>
LESS: Unearned Income	(712)	
<b>TOTAL NET LOANS</b>	<b>60,850</b>	

*Source: Report of Income and Condition as of June 30, 2007 / Dollar amounts in thousands (000's)*

## DESCRIPTION OF THE ASSESSMENT AREA

Utah Community Bank has defined its assessment area as Salt Lake County, Utah. This is an area comprised of 193 contiguous census tracts. The Department of Housing and Urban Development (HUD) estimates the 2007 median family income (MFI) for the metropolitan statistical area (MSA) at \$60,100. The bank's assessment area is home to most of the major insured financial institutions in the state, including several regional banks, several credit unions, and many other industrial loan companies.

The following table reflects the census tract income, population, and household breakdown of the Salt Lake County as determined by the 2000 U.S. Census:

<b>Table 2 – DEMOGRAPHIC INFORMATION OF ASSESSMENT AREA – 2007</b>						
<b>Demographic Characteristics*</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>N/A % of #</b>
Geographies (Census Tracts)*	193	2.59	22.28	46.63	28.50	0.00
Population by Geography *	898,387	0.85	23.55	48.82	26.78	0.00
Owner-Occupied Housing by Geography*	310,988	0.21	17.40	51.86	30.53	0.00
Businesses by Geography – 2006*	89,860	8.56	22.71	40.18	28.56	0.00
Family Distribution by Census Tract Income Level*	215,864	0.69	21.66	49.99	27.67	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies*	79,691	1.56	35.80	49.27	13.37	0.00
HUD Updated MSA Median Family Income* Households (HH) Below Poverty Level* 7.71% of total HH		60,100 22,754				

*Source: \*2000 US Census/ 2006 Business data & 2007 HUD updated Median Family Income*

Salt Lake County is the most populous county in the State of Utah, with an estimated population of 996,374 and the second highest population increase in the state with 18,089 as of 2006. Salt Lake County is expected to grow to a population of 1,383,907 by the year 2030 according to the Salt Lake County government information center.

During the year 2006, Salt Lake County reported 4,800 residential building permits, the second highest in the state. Utah's robust and diverse economy continues to attract new business, job seekers, and others to the state, resulting in a building boom. The health and stability of the Salt Lake market has proven to be a magnet for national investors, as well as real estate investments.

Even with the tremendous growth the area is experiencing, Salt Lake County remains a highly attractive and affordable metropolitan area. Utah's economy also contributed to increased activity. There was a significant rise in lease rates due to higher construction costs. This increase in lease rates encouraged many users to purchase a facility instead of renting space. The year-to-date 2007 industrial market has remained strong.

### **Community Contact**

A community contact was made with a local affordable housing service. The contact indicated that affordable housing, financial counseling, and employment for low- and moderate-income people are the primary needs in Salt Lake County. In addition, numerous contacts were made in the first three quarters of 2007 that targeted credit and other financial services and community

needs within the Salt Lake County assessment area. These contacts were reviewed, and it was found that there is a strong ongoing need for the following:

- ✓ *Affordable housing, including multi-family housing as well as single family residences*
- ✓ *Credit, homebuyer, pre-purchase counseling, and other related financial education training targeting adults as well as student-age children*
- ✓ *Economic development in areas identified by various governments for rehabilitation*
- ✓ *Healthcare for low- and moderate-income families and individuals, and*
- ✓ *Childcare for low- and moderate- income families during the workday, including after-school programs for “at-risk” youth.*

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Lending in the Assessment Area**

The bank receives a very limited number of Home Mortgage Disclosure Act reportable loan applications. For example, in 2006 only seven applications were received. They are on pace for a comparable amount in 2007. Small business loans (including commercial real estate) amounts to 10 percent of the bank’s total loan portfolio. Construction and development loans account for 85 percent of the bank’s portfolio. Most of these loans are originated to business entities. Consequently, this loan category was used for evaluative purposes.

Utah Community Bank originated a large volume of loans within its defined assessment area. Table 3 summarizes the extent of lending activity based on construction and land development loans originated during the assessment period.

<b>Table 3 – Distribution of Applicable Loans (2006-YTD 2007) Inside and Outside of the Salt Lake County Assessment Area</b>										
<b>Year and YTD</b>	<b>Number of Loans</b>					<b>Dollar Volume of Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total \$(000)</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	
2006	332	77%	97	23%	429	87,695,388	73%	32,262,233	27%	119,957,621
2007 (YTD)	181	74%	62	26%	243	48,608,702	70%	20,719,606	30%	69,328,308
<b>Totals</b>	<b>513</b>	<b>76%</b>	<b>159</b>	<b>24%</b>	<b>672</b>	<b>136,304,090</b>	<b>72%</b>	<b>52,981,839</b>	<b>28%</b>	<b>189,285,929</b>

*Examiner prepared table (bank records)*

For 2006, only 14 loans made outside the bank’s assessment area (Salt Lake County) were not originated in an adjacent county or MSA. This same analysis for YTD-2007 showed 13 loans. As a result, a substantial majority of the bank’s loans are originated in either the bank’s assessment area or an adjacent MSA or county.

### **Lending to Businesses of Different Sizes**

The distribution of construction and development loans originated in the assessment area reflects an excellent dispersion among businesses of varying revenue sizes. The bank’s performance exceed the Dun & Bradstreet data of number of businesses by size as well as 2006 CRA

aggregate performance of small business loans for large banks, particularly by number of loans. The aggregate distribution represents actual small business lending patterns of reporting large banks as compared to the subject small bank's lending patterns for construction and development. Tables 4 and 5 below, depict the degree of lending to construction and land development businesses of different revenue sizes for years 2006 and year-to-date 2007 within the assessment area.

**Table 4 - Distribution of Construction and Land Development Loans By Business Revenue Salt Lake County – 2006**

Gross Annual Revenues (000s)	Number of Businesses* By Size %	2006 Aggregate Lending** % of #	UCB-2006*** Performance by # / %	
			#	%
< \$100	58	36	134	40 %
\$100 to \$250			131	40 %
\$250 to \$500			44	13 %
\$500 to \$750	4		7	2 %
\$750 to \$1,000			5	2 %
<i>Subtotal (≤ \$1,000</i>	<b>62</b>	<b>36</b>	<b>321</b>	<b>97 %</b>
> \$1,000	5	64	4	1 %
Revenues Not Reported	33	negligible	7	2 %
<i>Total</i>	<b>100</b>	<b>100</b>	<b>332</b>	<b>100%</b>

Sources: \*2006 Dun & Bradstreet business data; \*\*2006 CRA MSA Aggregate Report Small Business Lending Data; \*\*\*Loan Sample and Bank Records.

**Table 5 - Distribution of Construction and Land Development Loans By Business Revenue Salt Lake County – 2006**

Gross Annual Revenues (000s)	Number of Businesses* By Size %	2006 Aggregate Lending** % of #	UCB-YTD 2007*** Performance by # / %	
			#	%
< \$100	58	36	72	40 %
\$100 to \$250			67	37 %
\$250 to \$500			29	16 %
\$500 to \$750	4		8	4 %
\$750 to \$1,000			2	1 %
<i>Subtotal (≤ \$1,000</i>	62	36	178	98 %
> \$1,000	5	64	1	1 %
Revenues Not Reported	33	negligible	2	1 %
<i>Total</i>	100	100	181	100%

Sources: \*2006 Dun & Bradstreet business data; \*\*2006 CRA MSA Aggregate Report Small Business Lending Data; \*\*\*Loan Sample and Bank Records.



As noted in tables 4 and 5, the bank's performance for the loans to small businesses engaged in construction and development with gross annual revenues less than \$1 million substantially exceeds Dun & Bradstreet business data for number of businesses in the census tracts. For 2006, 80 percent of the loans reviewed were to these business entities with revenues less than \$250 thousand. The information for year-to-date 2007 shows a similar percentage. This substantiates management's philosophy of catering to smaller sized businesses.

### Geographic Distribution of Lending

The bank's geographic distribution of construction and land development loans reflects a lower penetration level than Dun & Bradstreet business data for number of businesses within the low- and moderate-income census tracts. This is reasonable, as the substantial majority of available land for development and construction projects is located in middle- and upper-income tracts. Tables 6 and 7 illustrate the dispersion of the aforementioned loan type by geography for years 2006 and year-to-date 2007. For comparison, the CRA aggregate distribution of loans to small businesses by geography is included, as well as a percentage of businesses within each tract category. The aggregate distribution represents actual small business lending patterns of reporting large banks as compared to the subject small bank's lending patterns for construction and development.

<b>Table 6 - Distribution of Construction and Land Development Loans by Geography Salt Lake County - 2006</b>					
<b>Census Tract Income Level</b>	<b>Total Percentage of Small Businesses By Tract*</b>	<b>2006 Aggregate Small Business Lending Income Data** by # and by %</b>		<b>Bank's Performance*** Number of Loans</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	8%	7%	13%	2	1 %
Moderate	23%	22%	26%	19	6 %
Middle	40%	40%	35%	168	50 %
Upper	29%	31%	26%	143	43 %
N/A					
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>332</b>	<b>100%</b>

Sources: \*2006 Dun & Bradstreet business data; \*\*2006 CRA MSA Aggregate Report Small Business Lending Data; \*\*\*Loan Sample and Bank Records.

**Table 7 - Distribution of Construction and Land Development Loans by Geography  
Salt Lake County - 2007 YTD**

Census Tract Income Level	Total Percentage of Small Businesses By Tract*	2006 Aggregate Small Business Lending Income Data** by # and by %		Bank's Performance*** Number of Loans	
		#	%	#	%
Low	8%	7%	13%	1	1 %
Moderate	23%	22%	26%	10	6 %
Middle	40%	40%	35%	104	57 %
Upper	29%	31%	26%	66	36 %
N/A					
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>181</b>	<b>100%</b>

Sources: \*2006 Dun & Bradstreet business data; \*\*2006 CRA MSA Aggregate Report Small Business Lending Data; \*\*\*Loan Sample and Bank Records.

### **Loan-To-Deposit Ratio**

The bank's LTD ratio shows adequate responsiveness to the assessment area credit needs given its business focus, asset size, and financial condition. Between September 2002, and June 30, 2007, the institution's average LTD ratio was 78 percent, as calculated from the quarterly Consolidated Reports of Income and Condition. Table 8 lists the institution's quarterly LTD ratio since the institution's last CRA Evaluation in September 2002.

<b>Table 8 -Quarterly Net Loan-to Deposit Ratios</b>	
<b>Call Report Date</b>	<b>Ratio (%)</b>
06/30/2007	94.9
03/31/2007	96.9
12/31/2006	88.9
09/30/2006	82.4
06/30/2006	86.1
03/31/2006	85.2
12/31/2005	96.6
09/30/2005	87.9
06/30/2005	78.6
03/31/2005	76.7
12/31/2004	83.0
09/30/2004	85.2
06/31/2004	79.2
03/31/2004	81.6
12/31/2003	73.4
09/30/2003	82.6
06/30/2003	49.2
03/31/2003	56.4
12/31/2002	51.9
09/30/2002	49.5
<b>Average Loan-to-Deposit Ratio over Twenty Quarters</b>	<b>78.3%</b>

*Source: Consolidated Reports of Condition & Income*

### **Response to Complaints**

Utah Community Bank has not received any CRA-related complaints since the last CRA Examination of September 2002.

### **Compliance with Fair Lending and Other Illegal Credit Practices Review**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.